

Virginia Information Technologies Agency
Agency Issues and Conclusions
July 2006
Part II

This document provides additional guidance on agency issues raised in response to Federal funding concerns. The initial guidance (Part I) was provided to agencies in June 2004. Questions or comments should be directed to your Customer Relationship Management contact; a list is provided at the end of this document.

Information Required to Meet Federal and Other Grant Requirements

Issue 1: Agency Documentation Required for Cognizant Federal Agency

Will VITA provide information to agencies so that they may comply with information requirements of their Federal cognizant and oversight agencies?

Response

Yes. We are committed to keeping agencies informed on matters that may affect information required by the Federal cognizant and oversight agencies. Because of the complicated communications issues between Commonwealth and federal agencies, all issues related to federal funding must be discussed with VITA prior to any conversation with your federal cognizant agency or oversight agency.

Issue 2: Information for Completion of Agency Advanced Planning Documents (APDs)

Will VITA provide information to support agencies requirements to complete APDs for their Federal cognizant agency?

Response

Yes. We will work collaboratively with agencies to ensure information is available in sufficient detail to complete APDs. An updated APD template that can be used as the basis for your federal submission will be available by August 1.

Issue 3: Billing Detail

Will VITA provide sufficient billing detail to support agency cost allocations?

Response

Yes. We will work collaboratively with agencies to ensure there is sufficient billing detail to support agency cost allocations. As we move to a service based billing approach, charges will be made based on assets and approved rates resulting in easier reconciliations for agencies.

Virginia Information Technologies Agency
Agency Issues and Conclusions
July 2006
Part II

Issue 4: Federal Agency Approval of the Northrop Grumman Contract

How can VITA help agencies gain approval of the Northrop Grumman contract by the cognizant Federal agency?

Response

We will provide, upon request, the documentation necessary for agencies to provide to their cognizant Federal agency in order to approve the Northrop Grumman contract for their use. The contract was competitively bid under the provisions of the Commonwealth's Public Private Partnership code and guidelines and no problems are anticipated in obtaining Federal approval.

Issue 5: Federal Rules

Will VITA continue to comply with Federal rules so as not to jeopardize continued Federal participation related to IT infrastructure costs?

Response

Yes. VITA operates under OMB Circular A-87 and will continue to do so. Its operations are also reviewed by the Joint Legislative Audit and Review Commission (JLARC) and the Auditor of Public Accounts. We are also working with HHS, our cognizant federal agency, that has sole responsibility for approval of the IT rates and the VITA overhead charges passed on thru those rates.

Issue 6: Allowability of Direct Charge Salaries

Time and effort reporting is a requirement for personnel charges to Federal grants; during transition to a rate based system, will VITA be able to identify the grants to which its direct charge salaries relate?

Response

OMB Circular A-87, Attachment B, paragraph 11(h), addresses the support requirements for salaries and wages. VITA and State agencies working collaboratively will identify the time worked on Federal programs by employees in a manner that fully complies with this requirement. As of July 1, 2006, Northrop Grumman has implemented an automated time-tracking system for all in-scope employees that can assist with agency reporting requirements.

Virginia Information Technologies Agency
Agency Issues and Conclusions
July 2006
Part II

Equipment Purchases, Use and Sale

Issue 7: Impact of Move to Shared Services Rates on Equipment Purchases

Must agencies move to a monthly fee-for-services plan for all equipment? Will agencies be able to make one-time purchases for IT equipment as Federal funds are available?

Response

As we move to a shared services approach, we will begin billing on a monthly basis for all services. In limited cases, the cost of replacement equipment will not be included in the monthly rate; this will typically be where agencies do not plan to replace existing equipment. In other rare cases, agencies will be able to choose a time-and-materials billing approach for equipment repair as opposed to a monthly fee; this will typically be where agencies do not have a need to maintain equipment and inoperability does not impact agency operations. (An example is personal computers in the correctional education system.) We will work cooperatively with agencies on one-time equipment purchases to include supporting agency requests to Federal grantors to move to a monthly service fee approach. Commonwealth agencies should coordinate with VITA prior to discussions with any federal counterparts.

Issue 8: Sale of Equipment

How will VITA handle proceeds from the sale of equipment acquired with Federal funds?

Response

“Uniform Administrative Requirements for Grants and Cooperative Agreements to State, Local, and Tribal Governments,” Section 92.32, paragraph (b) provides that a State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures.

However, we are mindful of the provisions of paragraph (g) of the foregoing Section. This paragraph provides that a Federal agency may reserve the right to transfer title of equipment acquired with Federal funds. We will give careful consideration to the use provisions of paragraph (g) as it relates to equipment acquired with Federal funds.

We will not sell equipment acquired with Federal funds without coordinating such a sale with the original purchasing agency. As we move to a services rate structure and equipment is no longer purchased directly by the agency, this should cease to be an issue.

Virginia Information Technologies Agency
Agency Issues and Conclusions
July 2006
Part II

Issue 9: Equipment Donations

Can agencies accept IT equipment donations under the Northrop Grumman partnership?

Response

Donated equipment that is compatible with the Northrop Grumman transition may be accepted. Agencies should work with VITA to ensure that any equipment proposed for donation to the agency is compatible with the planned Northrop Grumman environment. We can also offer information to donors to ensure compatible equipment is provided.

Issue 10: Specified Use of Equipment

How will VITA manage and support equipment that is limited in use to specified programs, such as those in criminal justice?

Response

We will work with agencies to ensure equipment that has specified uses is maintained for those uses. Customer agencies should have already identified equipment purchased with federal funds in VITA's asset inventory system. This designation signals that customer agencies should be contacted by VITA if any change in use is contemplated. As we transition to a fully services-based approach, this requirement will cease to exist.

Issue 11: Use of Non-Standard Equipment

Can agencies request equipment that is not "standard issue" from Northrop Grumman?

Response

Generally, no. In order to maximize the benefit from standardization, any deviation from the standards will be limited. Agencies should contact VITA for any exception requests.

**Virginia Information Technologies Agency
Agency Issues and Conclusions
July 2006
Part II**

Issue 12: IT Inventories

How will VITA maintain and update equipment inventories so that agencies are accurately charged under a services rate approach?

Response

Northrop Grumman and VITA will work closely together to ensure equipment inventories are maintained and updated to accurately reflect equipment and related services used to support agencies. VITA will maintain the inventory data for equipment existing as of June 30, 2006. Northrop Grumman will maintain the inventory for all equipment purchased as of July 1, 2006.

Issue 13: Computing Standards

What if Federal programs require more stringent computing standards than that anticipated being offered by Northrop Grumman?

Response

We will work with the agency to ensure all Federal computing standards are met.

Funding- and Budget-Related Concerns

Issue 14: Indirect Cost Rate

Movement of equipment or personnel may impact an agency's current indirect cost rate (approved or otherwise); what action needs to be taken to address this?

Response

No action is required if the effect on the cost pool underlying the rate and Federal reimbursement is minimal. The effect of the change is simply to change the character of expenses from personal services and equipment purchases to IT service costs. If the effect on the cost pool and the Federal reimbursement is material, agencies should contact VITA in order to jointly address the matter with the grantor or cognizant cost negotiation agency.

Virginia Information Technologies Agency
Agency Issues and Conclusions
July 2006
Part II

Issue 15: Loss of Federal Grants

How will VITA respond to any loss of Federal grants by the agency?

Response

If agencies anticipate the loss of any Federal grants, VITA should be contacted as soon as possible. In coordination with the customer agency, we will determine a plan of action in order to minimize the financial impact on the agency if there is a loss of Federal funds. Consideration should be given by the agency to notify and/or include other state personnel/offices as appropriate, such as the Department of Planning and Budget, Secretarial offices, etc.

Issue 16: Lack of Operational Support Funding

How will VITA support computer equipment that is purchased with Federal funds but for which no operational support funding is provided?

Response

If Federal agencies provide one-time funding to state agencies for IT equipment for which no operational support funding is provided, we will support such equipment and bill the agency, provided that agency funding is available. If agencies do not have the funding to maintain the equipment, it cannot be supported.

Issue 17: Rates for New Services

How much lead time can VITA provide when it develops rates for new services?

Response

We will work to provide adequate lead time to agencies for notification of rates for new services. We understand that new services and associated rates may have budget implications that require time and effort on the part of customer agencies to ensure funds can be made available. All rate development is coordinated with the Department of Planning and Budget to ensure any budget implications are known for the upcoming budget cycle; JLARC approval also provides public exposure of new rates and allows legislative decision-makers to be aware of any cost impacts on customer agencies.

Virginia Information Technologies Agency
Agency Issues and Conclusions
July 2006
Part II

Issue 18: New Billing Approaches

How will agencies plan and budget for expenses associated with IT infrastructure under VITA's new billing approaches?

Response

We are committed to ensuring the impact on agency IT infrastructure costs is minimal based upon the agencies' historical demands. Information will be provided based upon new billing approaches as soon as known. Agencies may see various interim approaches as we transition to a final transformed environment over the next two years.

Issue 19: Variations in Cost Bases

How will VITA account for variations in agency spending patterns, such as significant one-time increases for disaster activations?

Response

We will work with agencies to ensure any significant one-time deviations are considered in setting rates. As we do in our legacy rate development, we will work closely with agencies to gather capacity data requirements for new services.

Issue 20: Budget Deadlines

Can VITA match its rate development schedule to Commonwealth budget deadlines?

Response

We are working hard to ensure that changes to our rate development methodology coincide with budget deadlines. Unfortunately, during the transition period, some changes are likely to occur outside of those timeframes.

**Virginia Information Technologies Agency
Agency Issues and Conclusions
July 2006
Part II**

Service-Related Issues

Issue 21: In-scope Activities

Have there been any changes to in-scope and out-of-scope activities?

Response

Cabling and wiring is the only area that has changed. VITA is responsible for cabling standards and installation oversight; the agency is responsible for installation and adhering to standards.

Issue 22: Shared Telecommunications Minutes

Will VITA continue to offer shared minutes on telecommunications products?

Response

Yes. For the foreseeable future, agencies will continue to share minutes on telecommunications products as it does today. This relates to the Nextel contract where the agency is billed directly by Nextel (not VITA).

Issue 23: VOIP (Voice over Internet Protocol) Server Support

Will VITA continue to support VOIP servers once Northrop Grumman begins operations?

Response

Yes.

Issue 24: Proprietary Data and Trade Secrets

How will proprietary data and trade secrets be protected?

Response

We will work with agencies to identify proprietary data and trade secrets, as well as other sensitive data, and put processes and systems in place to ensure security.

Virginia Information Technologies Agency
Agency Issues and Conclusions
July 2006
Part II

Issue 25: Impact of Major Support Changes

What happens when agency infrastructure support requirements change dramatically, such as in the case of a migration from mainframe-based applications to web-based applications?

Response

Agencies will be billed at the appropriate rates for the new support levels.

Questions

VITA will continue to provide additional information on these topics as it becomes known. Questions should be addressed to your CRM contact shown below:

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Debbie Secor	HHR and Transportation	(804)343-9049	debbie.secor@vita.virginia.gov
Linda Smithson	Natural Resources, Education, Agriculture, Commerce and Trade	(804)343-9053	linda.smithson@vita.virginia.gov
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